



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://cao.co.la.ca.us>

24

DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

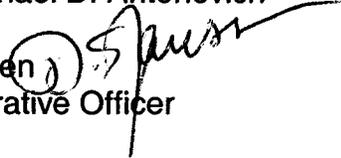
ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

June 7, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen   
Chief Administrative Officer

**STATE LEGISLATIVE UPDATE**

**Budget Conference Committee Update**

In today's morning session, the conferees focused on reducing state expenditures to close the State budget gap. Presentations were made by Senators Richard Polanco and Dick Ackerman (one of the budget conferees), and Legislative Analyst Elizabeth Hill. Copies of Senator Ackerman's and the LAO's proposals are contained in Attachments I and II, respectively. Senator Polanco's suggestions were limited to the State Department of Corrections and the California Youth Authority.

Senator Ackerman, who was speaking for the Senate Republican Caucus, claimed his proposals would save the State an estimated \$1.1 billion. Among them is the retroactive elimination of the State's annual \$30 million contribution for the County's Section 1115 Medicaid Waiver. In explanation, he notes: "It is unlikely that Los Angeles County will succeed in its efforts to transition to more efficient outpatient health care given its past experience. The County can renegotiate the waiver with the federal government...."

The following are the LAO's options for improved efficiencies or service reductions that would impact the County:

- A county share-of-cost for the Early and Periodic Screening, Diagnosis and Treatment Program;
- Reduced funding for the Children and Adult System of Care programs;

060702 StateLU



- Deferral of State-mandated reimbursement for education-related mental health programs;
- Reduction in the frequency of social workers and probation officers visits to Group Homes;
- Suspension of new enrollments in Supportive Transitional Emancipation Program (STEP) during the budget year;
- Limiting the growth of Foster Family Agencies' placements;
- Suspension of the supplemental clothing allowance for foster care children; and
- Suspension of emancipated foster youth stipends.

The Committee reconvened in the afternoon, at which time Senator McClintock and other members presented ideas on how to reduce State spending. Senator McClintock's remarks are contained in Attachment III.

#### **Pursuit of County Position on State Budget Item**

**Community Service Block Grant (CSBG) Allocation Formula.** Earlier this week, the Budget Conference Committee adopted budget trailer bill language by Senator Wesley Chesbro which would permanently change the CSBG allocation formula to guarantee a minimum percentage of Federal CSBG funds to minimum funded agencies. Minimum funded agencies are Community Action Agencies in smaller counties that already receive a favorable exception to the poverty to population ratio used to determine funding. According to the Department of Community and Senior Services (DCSS), the potential loss to the County CSBG program from this proposal would be \$142,136 in 2002 and \$711,000 over three years.

During its deliberations on the budget, the Assembly adopted the position that the State should assess the impact of the 2000 Census data on allocations before adopting changes in the existing allocation formula. **Therefore, DCSS recommends that the County oppose the Senate budget trailer bill language and support the Assembly position to use the 2000 Census data to revise the CSBG allocation formula, and we concur.**

#### **Pursuit of County Position on Legislation**

**SB 1396 (Dunn)**, as amended on May 28, 2002, would require a local sheriff and presiding judge to develop a court security plan and enter into a Memorandum of Understanding (MOU), specifying the level and cost of court security services, as well as the terms of payment. It would also permit the court to contract for those services that are consistent with the contract law enforcement template which has been compiled by the California

Each Supervisor  
June 7, 2002  
Page 3

State Sheriffs' Association and the Judicial Council. Allowable costs would include lieutenants and captains who provide court security.

According to the Sheriff, under current law, the County only receives reimbursement for personnel up to and including the rank of Sergeant. **The Sheriff, who is a co-sponsor of SB 1396, supports the bill because it will allow him to receive reimbursement for personnel through the rank of Captain, and we concur.** Support of SB 1396 is consistent with the Board's position to seek full reimbursement for costs associated with providing court security, as requested by Supervisor Antonovich at the May 14, 2002 Board meeting.

SB 1396 passed the Senate by a vote of 38 to 0 on May 29, 2002, and was sent to the Assembly where it awaits assignment to a committee. Supporters include: Judicial Council, California State Sheriff's Association, and California State Association of Counties. There is no opposition on file.

Our search of current legislation found no bills that could be amended to increase the Sheriff's reimbursement for housing State inmates in County facilities. According to our Sacramento advocates, it is unlikely that an author will be willing to amend a bill that would increase State costs. However, according to the Sheriff, the Department's contract with the State which establishes the daily reimbursement rate for housing State inmates, expires on June 30, 2002, and is currently being renegotiated.

### **Status of County Interest Legislation**

**County-supported AB 2075 (Chavez)**, would expand the requirement for the convicted to pay the reasonable costs incurred by a probation department including payment for pretrial monitoring, investigation, and reports, as well as post sentence investigations and reports. The bill passed the Assembly on May 23, 2002, and was sent to the Senate Public Safety Committee where it awaits a hearing date.

**County-supported AB 2238 (Dickerson)**, which would prohibit any State or local agency from posting on the Internet, the home address or telephone number of any public official, their spouse or children who reside with them, was substantially amended on May 23, 2002. The provision prohibiting public agencies from disclosing a public safety official's name in association with their home address and phone number, was deleted. Instead, the Judicial Council is required to report to the Legislature on how public agencies could protect information regarding public safety officials. AB 2238 passed the Assembly and was sent to the Senate Public Safety Committee on June 4, 2002, where it awaits a hearing date. Our Sacramento advocates will continue to support AB 2238 because it still

prohibits a person from knowingly posting this information about any elected or appointed official on the Internet and requires a study to determine how public agencies can protect the information.

**County-opposed SB 910 (Dunn)**, which would require local agencies to adopt a Housing Element that complies with State priorities or be penalized by a fine and/or the loss of funding for local streets and highways, was amended on May 30, 2002, to eliminate the loss of funding for streets and highways as a possible penalty. SB 910 remains in the Assembly Local Government Committee and is scheduled to be heard on June 5, 2002.

The Department of Regional Planning, League of California Cities, California State Association of Counties, and the American Planning Association continue to oppose SB 910 because it requires local governments to implement additional public participation requirements in preparing a Housing Element, leaves the issue of penalties open, and does not resolve conflicts in State laws which makes it difficult or impossible to create a compliant Housing Element. Therefore, our Sacramento advocates will continue to oppose SB 910.

**County-opposed SB 1481 (Polanco)**, was amended on May 7, 2002, to state that inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system, such as meals, clothing, housing, or medical services or expenses, except to augment those required county expenses as determined by the sheriff to be in the best interests of inmates. It passed the Senate and was sent to the Assembly Committee on Public Safety on May 23, 2002, where it is scheduled for a hearing on June 11, 2002.

**County-opposed unless amended SB 1521 (Kuehl)**, which would require the State Office of Planning and Research to develop model planning practices and policies that emphasize land uses that are economically, socially, and environmentally sustainable, was amended on May 24, 2002, to add a statement of legislative intent that the Office of Planning and Research should give priority to the development of model planning practices and policies. SB 1521 passed the Senate and was sent to the Assembly on May 29, 2002, where it awaits assignment to a committee. Our Sacramento advocates will continue to oppose and seek amendments to SB 1521 that will give local jurisdictions another year to conform with the model planning practices and policies, and increase local government representation on the advisory council.

**County-opposed unless amended SB 1793 (Burton and Karnett)**, which would eliminate the Youthful Offender Parole Board and divide its responsibilities between the Juvenile Courts and local probation departments, was amended on May 28, 2002 to make

Each Supervisor  
June 7, 2002  
Page 5

the bill effective on July 1, 2003. SB 1793 passed the Senate on May 29, 2002, and was sent to the Assembly where it awaits assignment to a committee. Our Sacramento advocates will continue to oppose SB 1793 and seek amendments to assure cost neutrality.

**County-supported SB 2057 (O'Connell)**, which would make a person who knowingly makes a false report to any agency or agency official responsible for conducting search and rescue, guilty of a misdemeanor, passed the Senate on May 28, 2002, and was sent to the Assembly where it awaits assignment to a committee.

We will continue to keep you advised of any new developments.

DEJ:GK  
JR:md

#### Attachments

c: Executive Officer, Board of Supervisors  
County Counsel  
All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

SENATOR ARKERMANN'S PROPOSALS

Dept/Program	Budget Item	Item Issue House Comparison		Proposed Reduction	General Fund Savings 2002-03		Reasons Reduction is Warranted
		Page	Issue		(One Time)	(Ongoing)	
Judiciary	0250-001-0001	2	100	Eliminate all GF augmentations in the 02-03 budget		\$1.3	Non-critical augmentations including \$800,000 for Appellate Court Research Attorneys (CB Issue 100), \$286,000 for the AOC Regional Offices, \$211,000 for human resources support.
Trial Court Funding	0450-111-0001	5	2	Eliminate all GF augmentations for the 02-03 Budget		\$90.0	Augmentations include \$14.4 million for increased costs of county-provided services, \$800,000 for Family and Children-related court programs, \$13.4 million for ongoing court security costs, \$2.3 million for court interpreter workload, \$51.7 million for various trial court needs, and \$9.6 million for increased court security costs (CB Issues 002).
Trial Court Funding	0450-111-0001	5	NA	Suspend Jury Per-diem rate increase granted last year (from to \$15 to \$12/day)	\$6.5		Moving to a one day/one trial policy should offset the costs of increased per diem.
Trial Court Funding	0450-111-0159	6	NA	Increase Transfer from the Trial Court Improvement Fund to the GF	\$15.0		Transfer comes from projected 02-03 Unencumbered Fund Balance - Leaves over \$2 million in the reserve.
Trial Court Funding	0450-112-0001	6	NA	Eliminate GF transfer and sweep the fund balance of the Judicial Administration Efficiency and Modernization Fund	\$42.0		Suspend the GF transfer for one year and capture additional savings from the projected 02-03 Unencumbered Fund Balance.
DOIT	0505-001-0001	7	NA	Eliminate Department		\$8.8	Unnecessary and dysfunctional department.
Office of the Inspector General	0552-001-0001	13	NA	Abolish the Office and transfer its functions to the YACA Secretary		\$9.0	Requires the Gov's YACA Secretary to be more accountable and aware of the operations under his/her control. Spending over \$40 million in the last four years for a few audits has done very little to improve the operations of CDC.

Secretary for Education	0558-001-0001	15	NA	Eliminate Office of the Secretary for Education (about 25 positions)	\$2.3	The Legislature has refused to create this office in statute, despite the attempts of two governors (Wilson and Davis). The Governor appoints the State Board of Education, which establishes and oversees education policy. The State Board can undertake the advisory role now played by the Secretary for Education.
Office of Planning and Lieutenant Governor	0650-001-0001	16	NA	Eliminate Office of Innovation in Government	\$0.4	Provides General Fund savings <i>LAO option</i>
Department of Justice	0750-001-0001	21	NA	Eliminate Commission on Economic Development	\$0.3	Provides General Fund savings <i>LAO option</i>
California Science Center	0820-001-0001	21	NA	Eliminate funding for Tobacco Litigation/Enforcement Section	\$1.1	Non-critical workload
Consumer Affairs	1100-001-0001	31	NA	Reduce hours, displays and services	\$2.0	Provides General Fund savings
General Services	1111-001-0001	32	100	Cut \$200,000 augmented by Subcommittee #4 for the Athletic Commission regulation of mixed martial arts.	\$0.2	Provides General Fund savings for a new program that has never been reviewed by Legislative policy committees.
Trade and Commerce Agency	1760-001-0001	36	NA	Privatize Fleet Administration	\$5.5	Provides General Fund savings
Special Resources Programs	2920-001-0001 -101-0001	46	NA	Unallocated reduction to remaining local assistance items and state operations.	\$10.0	Provides General Fund savings
Tahoe Conservancy	3110-001-0001	51	NA	Delete all General Fund support for the Sea Grant Program and the Tahoe Regional Planning Agency.	\$3.4	General Fund support is not critical and the program and Agency can function efficiently with only special fund support.
Environmental Protection Program	3125-001-0001	52	NA	Delete all General Fund support for the conservancy.	\$2.8	The Tahoe Conservancy will receive \$40 million from Proposition 40 and can function efficiently with only special fund resources.
Conservation	3210-001-0001	None	NA	One-time transfer of revenue from the Environmental License Plate Fund to the General Fund.	\$31.5	These funds have become a source a revenue to fund Legislative priorities and special projects.
	3480-001-0001	55	NA	Delete all General Fund support for the Department.	\$21.7	General Fund support only constitutes four percent of the Department's budget.

Coastal Conservancy	3760-001-0001	62	NA	Delete all General Fund support for the SCC.		\$2	Although \$2 million is 42 percent of the SCC's budget, there are four individual conservancies throughout the state that will receive a total \$200 million from Proposition 40. The state should either have one state-wide coastal conservancy that oversees all of California's coast or there should be several individual conservancies that leverage private funding to protect the coast.
San Francisco Bay Conservation and Development Commission	3820-001-0001	65	NA	Delete all General Fund support for the SFBCCDC.		\$3.8	Although 87 percent of the SFBCCDC's budget comes from the General Fund, \$40 million of Proposition 40 funds will be available for San Francisco Bay projects.
CALFED	3870-001-0001	None	NA	Delete all General Fund support for the CALFED program.	\$46		Approximately 11 percent of CALFED's budget comes from the General Fund in the budget year. Also, the federal government's commitment to this program is tenuous at best. Committing General Fund resources to this program might not be a prudent investment.
Water Resources Control Board	3940-001-0001	74	NA	Delete all General Fund support for the SWRCB.		\$81	Deleting \$81 million in General Fund support is only a 1.3 percent reduction from SWRCB's \$663.6 million budget.
Toxics Substance Control	3960-001-0001	76	NA	Delete all General Fund support for the DTSC.		\$31.4	DTSC has approximately \$125 million in special funds to function efficiently.
HHS Data Center	4130-001-0632 and corresponding reductions in affected departments	None	NA	Freeze spending at current year levels.		\$10.0	The HHS Data Center has a proposed budget of over \$182 million for development of a variety of information technology projects. Deleting \$10 million would delay project implementation with few adverse consequences.
DHS -- Medi-Cal	4260-101-0001	98	170 (included in "balance of estimate" issue)	Increase fraud savings.		\$100	Major General Fund savings. It has been estimated that there is at least \$1 billion in identifiable and preventable provider fraud in the Medi-Cal Program. If more savings are achieved, it may prevent further cuts in reimbursement rates or a reduction in benefits.

DHS -- Medi-Cal	4260-101-0001	88		Eliminate the state share of funding for the Los Angeles County Section 1115 Medicaid Waiver		\$30 per year for 5 years only	Major General Fund savings. It is unlikely that Los Angeles County will succeed in its efforts to transition to more efficient outpatient health care given its past experience. The County can renegotiate the waiver with the federal government and offer to pay the state share of costs so that federal
DHS -- Medi-Cal	4260-101-0001	97	102	Impose co-payments for certain services to be paid by recipients, with provider rates adjusted accordingly. (Governor's proposal rejected by the Senate).		\$31	Major General Fund savings. Co-payments are becoming quite routine, and it is likely that most Medi-Cal recipients would be able to pay up to \$3 for basic preventative health care services. This is preferable to an outright additional reduction in provider reimbursement rates, which would certainly have a negative impact on access to care.
DHS -- Medi-Cal	4260-101-0001	97	107	Reinstitute the quarterly status report. (Governor's proposal rejected by the Senate).		\$155	Major General Fund savings. This action would return to previous state law that required recipients to report income, asset, and family composition information for eligibility purposes. Savings would result from ineligible persons being removed from the Medi-Cal caseload in a timely manner. It also serves as an effective deterrent to fraud.
DHS -- Public Health	4260-111-0001	93	438	Suspend state funds for cancer research.	\$13		Major General Fund savings. The Governor originally proposed to eliminate the entire \$25 million General Fund appropriation for this research, but later decided to restore half of this funding. Other sources of funding (private, federal, etc.) likely are available to back-fill this reduction.
Social Services - CalWORKs	5180-101-0001	125	NA	Increase sanctions for noncompliance of work requirements.		\$10.0	Major General Fund savings. Increasing sanctions for noncompliance would reinforce welfare work requirements and make it harder for individuals to commit welfare fraud.
Social Services - CalWORKs	5180-101-0001	213	282	Eliminate one-month restoration of CalWORKs COLA. (Governor's proposal rejected by the Senate.)		\$12.5	Major General Fund savings. The Governor proposed to eliminate the CalWORKs COLA in the budget year. The Senate restored the COLA for one-month. The Senate action would cost the General Fund \$12.5 million in 2002-03 and \$150.2 million in 2003-04.
Social Services - Maintenance of Effort (MOE)	5180-101 to 151-0001	various	NA	Reduce funding to minimum MOE level		\$80.0	Major GF savings. Maintains funding at the minimum level required by Federal law.

Social Services- SSI/SSP	5180-111-0001	217	161	Eliminate one-month State COLA. (Governor's proposal rejected by the Senate.)		\$22.5	Major General Fund savings. The Governor proposed to eliminate the both the State and federal COLA in the budget year. The Senate restored the federal COLA and one-month of the State COLA. The Senate action would cost the General Fund \$76.8 million in 2002-03 and \$366.5 million in 2003-04. This proposal would pass through the federal COLA and eliminate the one-month State COLA.
Department of Corrections	5240-001-0001	137	162	Elim GF augmentation to upgrade Distributed Data Processing System	\$2.5		Non-critical augmentation
Department of Corrections	5240-001-0001	137	164	Elim GF augmentation to upgrade Automated Preventive Maintenance System	\$0.9		Non-critical augmentation
Department of Corrections	5240-001-0001	137	161	Elim GF augmentation to upgrade Telecommunications hardware	\$1.7		Non-critical augmentation
Department of Corrections	5240-101-0001	138	230	Elim funding for 5 Community Correctional Facility Contracts		\$2.8	GF savings, Contracts expire 6/30/02 and the Legislature cannot compel the Director of Corrections to sign new contracts.
Department of Corrections	5240-101-0001	138	233	Elim funding for 425 CCRC beds		\$1.4	Non-critical augmentation for beds that are not going to be used
Department of Corrections	5240-101-0001	138	235	Continue lease w/ Folsom CCF		\$1.1	Senate acted prematurely to close private facility following an audit by the OIG.
Department of Youth Authority	5460-001-0001	150	004, 005	Elim all GF augmentations to the 02- 03 budget		\$2.9	Non-critical augmentations including: \$1 million for Mental Health reorg, \$32,000 postage, \$1 million for increased utility costs, and \$725,000 for a Program Compliance Unit.
California Postsecondary Education Commission / State Operations	6420-001-0001	218	100, 102	Reduce California Postsecondary Education Commission (CPEC). CPEC exists to provide the Governor and Legislature policy research and advice on higher		\$2.8	Major General Fund savings. The Governor's May Revision proposed cutting \$2.8 million and 43 of 46 positions. Senate rejected. The Assembly proposed cutting CPEC roughly by half. Their mission has become clouded in recent years and the Governor proposed reducing CPEC in May Revision.
University of California / Across the Board Research Cut	6440-001-0001	220	109	Reduce funding for UC research by 15 percent. This is an across-the- board cut, with no program receiving special protection.		\$16.0	Very major General Fund savings. The Governor's May Revision proposed reducing UC research by \$32 million, a 10 percent cut. The Assembly cut an additional \$16 million, for a total of \$48 million, a 15 percent cut.

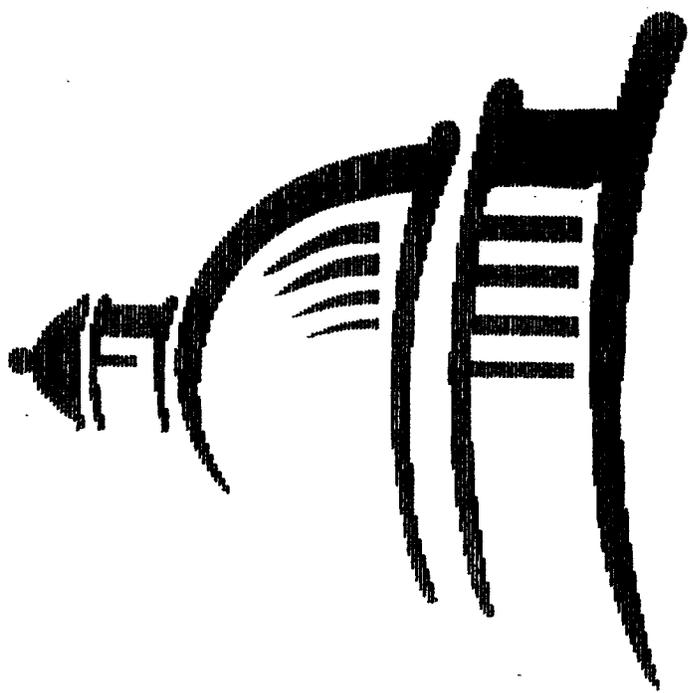
University of California / Podiatry Program	6440-001-0001	219	NA	Eliminate Support for Podiatry Program		\$0.9	Significant General Fund savings. There is no reason to have a program such as this with its own schedule in the budget. If it is a priority, UC should fund it from existing resources.
University of California / Institute of Global Conflict and Cooperation	6440-001-0001	219	NA	Eliminate funding for Institute of Global Conflict and Cooperation		\$0.6	Significant General Fund savings. This program has been ineffective at maintaining peace and cooperation in the world.
University of California / Various Research and Support	6440-001-0001	219	NA	Suspend for 1 year or eliminate funding for following research or support: Occupational Health Centers (\$2.6), viticulture and enology (\$0.5), substance abuse (\$24.0), welfare policy research (\$1.0) (eliminate), labor studies (\$5.5) (eliminate), K-12 Internet2 (\$22.0), medical marijuana (\$3.0)	49.1	\$9.5	Very Major General Fund savings. The research conducted by these programs can be done by private entities and/or UC researchers who obtain grants through normal grant processes. Some programs, such as the UC Labor "Research" Institute, are going beyond research and into advocacy and organization.
University of California / K-12 Outreach	6440-001-0001	220	NA	Suspend outreach funding targeted at improving eligibility rates for UC among K-12 pupils.	\$31.4		Very major General Fund savings. The K-12 system should be preparing and informing students of higher education eligibility requirements. This is not the mission of UC.
California State University / Bilingual Teacher Recruitment	6610-001-0001	223	NA	Eliminate support for bilingual teacher recruitment program.		\$2.0	Major General Fund savings. This is not the mission of CSU.

California State University / CalTeach	6610-001-0001	221	NA	Eliminate CalTeach, a teacher recruiting initiative.		\$6.0	Major General Fund savings. (The Assembly reduced CalTeach by \$4 million.) This is not the mission of CSU.
California State University / K-12 Outreach.	6610-001-0001	221	NA	Suspend outreach funding targeted at improving eligibility rates for CSU among pupils.	\$15.0		Very major General Fund savings. The K-12 system should be preparing and informing students of higher education eligibility requirements. This is not the mission of CSU.
California State University / Service Learning	6610-001-0001	221	NA	Eliminate funding for the development of 220 "service learning" courses		\$1.1	Major General Fund savings. If CSU believes service learning is vital, it can be funded within existing resources, developing these courses just as they develop any other course.
California State University / Fellows Program	6610-001-0001	221	NA	Suspend funding for Executive, Legislative, and Judicial Fellows and the LegiSchool Project.	\$2.9		Major General Fund savings. While this program has merit, suspending it will not adversely affect the operations of government or the education of bright, motivated students.
Public Employment Relations Board	8320-001-0001	234	NA	Eliminate the Board		\$4.8	Functions are essentially outdated and duplicate the functions of the courts
Interstate Organizations	8800-001-0001	248	NA	Eliminate all memberships in interstate organizations.		\$1.9	Provides General Fund savings
Statewide Vacancies	9800-001-0001	Control Section Page # 13	1	Eliminate remainder of excess vacancies above the 4,000 proposed by the Governor		\$170.0	Eliminates all excess vacancies and provides substantial savings by eliminating funding for state positions that are not filled.
					\$259.0	\$919.4	

# Options for Closing the 2002-03 Budget Gap

LEGISLATIVE ANALYST'S OFFICE

Presented To:  
Budget Conference Committee  
June 7, 2002



# Considerations for Closing the Gap Exclusively With Spending Reductions

June 7, 2002  
Page 1

**Consider Reductions in a Wide Range of Program Areas**

**Within Each Program Area Consider Several Factors:**

- Preserve "core" services.
- Consider adverse impacts of state-level cuts on receipt of federal funds.
- Implement reductions as early as possible.

**Consider Out-Year Impacts of Spending Reductions**



# Projected May Revision Revenues, Expenditures, And Operating Balances—General Fund

June 7, 2002  
Page 2

(In Billions)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues	\$78.6	\$77.5	\$82.6	\$89.2	\$96.2	\$102.7
Expenditures	76.5	85.5	92.8	98.3	103.8	109.3
Annual operating balance	\$2.1	-\$8.0	-\$10.2	-\$9.1	-\$7.6	-\$6.6

<sup>a</sup> May Revision data for 2002-03; LAO projections for all subsequent years, based on approach and assumptions discussed in text.

## Key Assumptions

- Adoption of All May Revision Expenditure and Revenue Proposals
- No Further Corrective Actions in Future Years
- Moderate Economic Growth in 2002 and 2003, and Expansion for Balance of Forecast

# Budget Options

Type of Option      Department—Title

### Benefit Reduction

California Community Colleges—Eliminate Extra Compensation for Part-Time Faculty	\$57.0
California Community Colleges—Eliminate Part-Time Faculty Extra Benefits	\$8.1
Employee Compensation—State Contribution to State Employees Health Benefit	\$84.8
Employee Compensation—State Holiday	\$9.1
Health and Dental Benefits for Annuitants—State Contribution for Annuitants' Health Benefits	\$52.7
<i>Number of Benefit Reduction Options: 5</i>	<i>Total Dollar Amount</i>
	\$211.7

### Caseload Reduction

Corrections—Closure of Northern California Women's Facility	\$4.5
Corrections—Early Discharge from Parole	\$50.4
Corrections—Early Release from Prison	\$249.2
Corrections—Elderly Inmates—Release to Parole	\$3.4
Corrections—Mental Health Bed Projection	\$7.1
Corrections—Parole Caseload Reduction	\$5.0
Corrections—Parole in Lieu of Prison for Inmates With Short Sentences	\$10.7
Corrections—Penalty Changes	\$50.9
Corrections—Population Adjustment	\$8.1
Health Services—Make an Additional Medi-Cal Caseload Adjustment for Current Year	\$23.3
<i>Number of Caseload Reduction Options: 10</i>	<i>Total Dollar Amount</i>
	\$412.6

### Eliminate Tax Expenditure

Personal Income Tax—Capital Gains Treatment Upon Death	\$2.0
Personal Income Tax—Teacher Tax Credit	\$227.0
Sales and Use Tax—Custom Computer Programs	\$175.0
<i>Number of Eliminate Tax Expenditure Options: 3</i>	<i>Total Dollar Amount</i>
	\$404.0

# Budget Options

(continued)

June 7, 2002

Page 4

2002-03 Amount  
(In Millions From Senate Version)

Type of Option      Department—Title

## Funding Shift

Air Resources Board—Stationary Source Program Fees	\$15.4
Board of Equalization—Sales and Use Tax	\$1.3
California Community Colleges—Add \$25 Per Unit Surcharge to Baccalaureate Holders at CCC	\$13.4
California State University—Increase Nonresident Fees by 15 Percent	\$11.8
California State University—Increase Resident Fees 10 Percent	\$35.6
Corrections—Undocumented Parolees	\$9.1
Developmental Services—Establish Share of Cost for Consumers Under Age 18	\$1.3
Education—STAR - Maximize Federal Funds Offset	\$4.7
Fish and Game—One-Time Shift to Fish and Game Preservation Fund	\$6.0
Food and Agriculture—"Buy California" Marketing Program	\$2.0
Food and Agriculture—Red Imported Fire Ant Program	\$2.4
Forestry and Fire Protection—Additional Shift to Fees for Timber Harvest Plan Review	\$0.6
Forestry and Fire Protection—Shift 50 Percent of Fire Budget to Fees	\$176.0
Hastings College of the Law—Increase Resident Student Fees by 15 percent	\$1.2
Health Services—Emergency Room Subsidies	\$24.8
Health Services—Increase Copayments for Some Services	\$30.6
Housing and Community Development—Farmworker Housing Grant Program	\$5.5
Justice—Forensic Services Unit	\$8.0
Parks and Recreation—State Park Fees	\$20.0
Technology, Trade, and Commerce Agency—California Film Commission	\$3.0
University of California—Increase Nonresident Fees by 5 Percent (Above January Proposal)	\$8.4
University of California—Increase Professional-School Fees by 15 Percent	\$4.8
University of California—Increase Resident Fees 10 Percent	\$43.6

**Budget Options**

**(continued)**

June 7, 2002  
Page 5

2002-03 Amount  
(In Millions From Senate Version)

Type of Option      Department—Title

**Funding Shift (continued)**

Youth Authority—County Sliding Scale Fees      \$7.6  
 Number of Funding Shift Options: 24      Total Dollar Amount      \$437.1

**Improved Efficiency**

California State University—Increase Faculty-Student Ratio by 0.5 FTES      \$18.7  
 Mental Health—Early and Periodic Screening, Diagnosis and Treatment Program      \$5.4  
 Office of Planning and Research—Office of Innovation in Government      \$0.4  
 Social Services—Foster Family Agency      \$5.6  
 Social Services—Statewide Automated Welfare System Consortium IV      \$12.0  
 Technology, Trade, and Commerce Agency—Office of California-Mexico Affairs      \$0.6  
 University of California—Increase Faculty-Student Ratio by 0.5 FTES      \$13.8  
 Number of Improved Efficiency Options: 7      Total Dollar Amount      \$56.5

**Limit Tax Expenditure**

Personal Income Tax—Dependent Care Credit      \$100.0  
 Personal Income Tax—Dependent Credit Exemption      \$760.0  
 Personal Income Tax—Mortgage Interest Deduction      \$100.0  
 Number of Limit Tax Expenditure Options: 3      Total Dollar Amount      \$960.0

**One-Time Adjustment or Deferral**

Board of Corrections—Mentally Ill Offender Crime Reduction Grant      \$18.0  
 California State University—Delay Salary Increase by Six Months      \$18.9  
 California State University—Reduce Administrative Budget by 5 Percent      \$29.2  
 COPS/Juvenile Justice Grants—Grant Reduction      \$60.0  
 Corrections—Sex Offender Containment Program      \$8.0  
 Department of Information Technology—Fund New IT Oversight Organization      \$6.0

# Budget Options

(continued)

June 7, 2002  
Page 6

2002-03 Amount  
(In Millions From Senate Version)

Type of Option Department—Title

## One-Time Adjustment or Deferral (continued)

Education—Charter School Facility Grant Program	\$15.0
Education—Defer Categorical Payments By a Few Months	\$900.0
Education—Defer State Mandates One Year	\$145.9
Education—Digital High School - Defer Computer Replacement One Year	\$61.0
Employee Compensation—Personal Leave Program (PLP)	\$285.0
Franchise Tax Board—California Child Support Automation System (CCSAS)	\$0.9
General Services—Expansion of California Home Page	\$4.6
Health Services—Delay Implementation of AB1075 Rate Studies for Another Year	\$2.2
Justice—CalGang Grants	\$1.5
Local Government Financing—High-Tech Law Enforcement Grants	\$18.5
Local Government Financing—Rural County Law Enforcement Grants	\$18.5
Medi-Cal—Supplemental Long-Term Care Rate Increase	\$21.0
Membership in Inter-state Organizations—Suspend Payment	\$1.9
Mental Health—Do Not Restore State-Mandated Local Program Funding	\$59.9
Military—Oakland Military Institute	\$1.3
Scholarshare Investment Board—Merit Scholarship Programs	\$121.0
Social Services—Child Welfare Services Visits	\$7.6
Social Services—Emancipated Foster Youth	\$0.8
Social Services—Foster Care Clothing Allowance	\$3.4
Social Services—Foster Care Stipends	\$3.6
State Contributions to the State Teachers' Retirement System—Service Credits	\$185.0
State Water Resources Control Board—Stormwater Pollution Control Program	\$0.3
University of California—Delay Salary Increase for Six Months	\$23.8
University of California—One-time Reduction in General Fund Research Budget	\$16.0

June 7, 2002  
Page 7

2002-03 Amount  
(In Millions From Senate Version)

Type of Option      Department—Title

**One-Time Adjustment or Deferral (continued)**

University of California—Reduce Administrative Budget 5 Percent	\$23.5
University of California—Reduce UC Merced Funding	\$4.0
Various Resources Departments—CALFED Bay-Delta Program	\$2.7
Water Resources—Drought Panel Recommendations	\$3.7
Wildlife Conservation Board—Natural Heritage Preservation Tax Credit Program— Suspend Award of New Credits	\$2.8
<b>Number of One-time Adjustment or Deferral Options: 35</b>	<b>Total Dollar Amount \$2,075.5</b>

**Service Reduction**

California Community Colleges—Economic Development	\$10.0
California Community Colleges—Reduce Partnership for Excellence Funding 5 Percent	\$15.0
California State University—Cap Special-Admit Rate at 2 Percent	\$13.6
California State University—Eliminate CalTeach Advertising Activities	\$4.0
Commission on Teacher Credentialing—Eliminate Fee Waiver	\$2.0
Commission on Teacher Credentialing—Reduce Preintern Program	\$4.0
Corrections—Direct Discharge from Prison	\$98.5
Corrections—Office of Inspector General - Base Budget Reduction	\$1.0
Education—9th Grade CSR - Reduce to Current Year Participation Level	\$25.0
Education—AB 1018 - Vocational Education Grants	\$4.4
Education—AB 717 - Technical Career Academies	\$5.0
Education—Adult Education CalWORKS - Eliminate Restoration	\$23.0
Education—AVID	\$6.0
Education—Before and After School Program	\$26.2
Education—CalSafe - Reduce to Reflect Expected Participation	\$10.0

Type of Option Department—Title

*Service Reduction (continued)*

Education—Conform Charter School Block Grant to Reflect Senate Intent	\$5.1
Education—Do Not Expand Preschool From 2001-02 Level	\$24.8
Education—Eliminate Child Care Eligibility for 13-Year Olds	\$5.6
Education—Paraprofessional Staff Development	\$1.0
Education—PERS Offset - Eliminate Restoration	\$36.0
Education—Principal Training Reduction	\$2.5
Education—Reduce Adult Education Base - Reflects Actual Participation	\$10.0
Education—Reduce Advertising Costs at Regional Teacher Recruitment Centers	\$2.0
Education—Reduce Revenue Limit COLA to Statutorily Required 1.66 Percent	\$95.3
Education—Suspend Governor's Performance Awards	\$67.3
Health Services—Eliminate Cancer Research Funding Augmentation	\$12.5
Health Services—Eliminate Recent Augmentation for EAPC Clinics	\$10.0
Health Services—Impose a One-Year Moratorium on New Adult Day Healthcare Centers	\$29.3
Industrial Relations—AB 749-Related High Hazard Training Grants	\$0.6
Industrial Relations—Augmentation for AB 749 Related Reports	\$0.7
Industrial Relations—Division of Apprenticeship Standards	\$1.8
Industrial Relations—Division of Workers' Compensation Augmentation for AB 749	\$4.6
Medi-Cal—Optional Services	\$263.0
Mental Health—Reduce Children's and Adult's System of Care Funding	\$35.8
Office of the Lieutenant Governor—Commission on Economic Development	\$0.3
Office of the Secretary for Education—Academic Volunteer and Mentor Service Program	\$4.6
Social Services—CalWORKs Sanction Policy	\$10.0
Social Services—CalWORKs TANF/MOE Adjustments	\$50.0
Social Services—Eliminate State-Only SSI/SSP for Post 1996 Immigrants	\$24.1



June 7, 2002  
Page 9

# Budget Options

(continued)

2002-03 Amount  
(In Millions From Senate Version)

Type of Option Department—Title

## Service Reduction (continued)

Social Services—Hold Supportive and Therapeutic Options Program at Current Level	\$0.8
Social Services—Increase Community Care Licensing Fees	\$2.0
Social Services—SSI/SSP Grants for Couples	\$133.0
Social Services—SSI/SSP No June 2003 COLA	\$22.3
Social Services—SSI/SSP No Pass Through of Federal COLA	\$53.7
Social Services—Suspend Supportive Transitional Emancipation Program	\$0.8
Tax Relief—Senior Citizens' Property Tax Assistance	\$75.0
Technology, Trade and Commerce Agency—Armenia Contract Foreign Trade Office	\$0.1
Technology, Trade and Commerce Agency—Economic Strategy Panel Augmentation	\$0.2
Technology, Trade and Commerce Agency—General Fund Transfer From Export Finance Fund	\$4.0
Technology, Trade and Commerce Agency—Southeast Los Angeles Financial Development Center	\$1.0
Technology, Trade, and Commerce Agency—Biomass to Energy Program	\$5.9
Technology, Trade, and Commerce Agency—California Technology Investment Partnership (CalTIP)	\$6.0
Technology, Trade, and Commerce Agency—Film Permit Subsidy	\$10.1
Technology, Trade, and Commerce Agency—Foreign Trade Offices	\$4.1
Technology, Trade, and Commerce Agency—Manufacturing Technology Program	\$3.0
Technology, Trade, and Commerce Agency—Office of Military Base Reuse and Retention	\$0.2
Technology, Trade, and Commerce Agency—Regional Offices	\$2.6
Technology, Trade, and Commerce Agency—Rural E-Commerce Grant Program	\$1.0
Technology, Trade, and Commerce Agency—Tourism Division	\$8.2
Youth Authority—Parole Caseloads	\$1.0
<b>Number of Service Reduction Options:</b>	<b>60</b>
<b>Total:</b>	<b>Number of Options 147</b>
	<b>Total Dollar Amount \$1,279.6</b>
	<b>Total Dollar Amount \$5,837.0</b>

Jun-07-2002 01:06pm From-

SACRAMENTO ADDRESS  
STATE CAPITOL  
ROOM 3070  
SACRAMENTO, CA 95814  
TEL (916) 448-8873  
FAX (916) 324-7544

DISTRICT OFFICE  
223 E. THOUSAND OAKS BLVD  
SUITE 326  
THOUSAND OAKS, CA 91360  
TEL (805) 494-8808  
FAX (805) 494-8812

HTTP://WWW.SEN.CA.GOV/MCCLINTOCK  
EMAIL: TOM.MCCLINTOCK@SEN.CA.GOV

# California State Senate

SENATOR  
**THOMAS MCCLINTOCK**  
NINETEENTH SENATORIAL DISTRICT



## Attachment III

COMMITTEES  
VICE CHAIRMAN  
TRANSPORTATION

MEMBER OF  
BANKING, COMMERCE &  
INTERNATIONAL TRADE

CONSTITUTIONAL AMENDMENTS  
ENVIRONMENTAL QUALITY  
LABOR & INDUSTRIAL RELATIONS

JOINT COMMITTEE  
COMMITTEE TO INVESTIGATE  
FINANCIAL INSTITUTION  
MERGERS & ACQUISITIONS

SELECT COMMITTEE  
METROPOLITAN TRANSIT AUTHORITY

## Bringing the Budget Under Control

### Remarks by Senator Tom McClintock to the Conference Committee on the Budget

June 7, 2002

Contact: Kirk Hutson  
916/445-8873  
Weekend: John Stoos  
916/451-5660

Senator Ackerman yesterday asked me to offer some thoughts on how California's spending can be brought back under control. As I said to the Senate, this is a systemic and pervasive problem that must be addressed at three levels.

Long term, the Gann Spending Limit, that restrains expenditure growth to the combination of population growth and inflation, must be restored. If the Gann Spending Limit had been restored at the outset of this administration, the situation faced by this committee would be very different.

This year's budget would still reflect a 20 percent increase over the last four years. Twenty Percent. I think very few families outside of government have seen a 20 percent growth in their income over the last four years. But instead of a \$24 billion deficit, we would in fact have a \$38 billion cumulative surplus.

I want you to examine that claim very carefully. Ask the legislative analyst to confirm it. It is important. If these numbers are accurate, it means that the discussion we would be having today would be, "how do we rebate an average of \$4,500 to every family in California."

Such a measure is now pending before the legislature as SCA 16. It should be a prerequisite to ANY budget decision. Does it help us this year? No. But it does prevent this situation from ever happening again.

The mid-term approach, which must also be launched now, requires a comprehensive management review of every office and agency within the state government. This is the purpose of the Bureaucracy Realignment and Closure Commission that I proposed in 1997 and again in 1999, and that is now pending consideration in the Assembly. It is modeled on the Federal Military Base Realignment and Closure Commission and is designed to remove the evaluation of the state's bureaucracies from special interest influence and to present a comprehensive plan to the legislature.

At the same time, the Grace Commission impaneled by President Reagan in 1981 also offers us a model for the outside management review of the state's service delivery systems.

A line-item by line-item review of expenditures is desperately needed, but it cannot be done on the fly or under the immediate pressures of a rapidly approaching budget deadline. But unless these efforts are initiated now, as part of the budget solution, we'll be facing growing problems in future years.

For example, had the BRAC been commissioned in 1997, its work would be complete and this year's budget problem would be greatly reduced, if it existed at all. That is not an idle boast. That is the practical experience of the federal government using a nearly identical model.

Had a California Grace Commission been impaneled just four years ago, this committee would have a line-item by line-item evaluation of the options available to it without increasing taxes or affecting vital expenditures.

So these long and mid-range solutions are just as much an immediate issue for this committee as any line item in the budget now before us.

That this brings us to the immediate problem. What can we do to make it more efficient right now?

We must begin by applying the first rule of holes: "When you're in one, stop digging."

All general fund capital projects must be deferred. In the past, construction ceased on this Capitol building for a long period of time for lack of funds. When prosperity returned, work resumed. And by the way, that should also include all furniture acquisitions, vehicle acquisitions, all remodeling. It also means no new hiring. And for heaven's sake, halt all major computer and computer software acquisitions until we establish some sort of competence to our oversight mechanisms.

Meanwhile, an immediate moratorium should be placed on long-term debt instruments. Debt service is rapidly consuming an increasing portion of this and future budgets. When you've just lost your job, you don't take out a home improvement loan.

New programs and program enhancements initiated this year and last year should be immediately deferred.

Jun-07-2002 01:07pm From-

T-885 P.003/004 F-077

Next, identify and eliminate state bureaucracies that merely duplicate agencies at the federal or local level – or that merely duplicate private agencies. These are functions that are being performed anyway – perhaps not precisely as we would like, but that are still being performed and will continue to be performed while we take a break to get our house back in order.

For example, Cal-OSHA and Cal-EPA are entirely duplicative of the Federal OSHA and the Federal EPA. We have parallel state and federal banking agencies. There has never been an evaluation, to my knowledge, of the extent that our state agencies simply duplicate federal functions.

Meanwhile, many state agencies needlessly duplicate the functions of local governments. The State Architect's office, duplicates local planning department functions. The State Fire Marshal duplicates local fire department functions. It is human nature to want to have a hand in everything. But we don't have the resources to do that. Removing duplicative jurisdictions and agencies is an important place to start.

And finally, we need to eliminate the duplication of functions that private interests perform anyway. An example: the entire Trade and Commerce Agency simply duplicates what the Chamber of Commerce and other business interests used to do on their own – with their own money.

The liquidation of idle state assets would produce considerable one-time savings. I would begin with acquisitions made over the last two years. When a family sobers up after a spending binge, sometimes it has to return the stuff and say, "we just can't afford this right now until we're back on our feet."

The major area of savings – and increased service – is in the operational changes available to the budget. For example, according to a Legislative Analyst's Office analysis from 1997, a pre-paid, refundable tax credit could replace the entire Healthy Families Program, providing greater coverage to far more people at vastly lower cost. Classroom-based accounting systems could dramatically reduce the enormous amount of education dollars that are absorbed into the bureaucracies. Conforming state prevailing wage law to the Federal Davis Bacon Act would save several hundred million dollars annually. By the way, those measures have been before the Legislature this year, but have been killed.

I would suggest a special session of the legislature immediately following the budget that does nothing but intensely evaluate every programmatic change available to us. In advance of the work of a BRAC or a Grace Commission, we could also ask some haunting questions like, "Do Californians really need to be protected against a bad haircut by the Board of Barbering and Cosmetology?" or, "to be protected against a mismatched sofa by "the Bureau of Home Furnishings."

But let me make repeat some immediate suggestions for budget savings:

- According to the LAO, failure of the state to conform to federal welfare eligibility standards costs the state general fund over \$1 billion annually.
- Cutting general fund support for the Trade and Commerce Agency would save \$60 million.
- Cutting general fund support for the California Arts Council would save \$30 million.
- Consolidating the Board of Equalization and the Franchise Tax Board would save far in excess of \$100 million in the first year. Shifting state income taxes to a straight percentage of federal tax liability would easily save \$100 million more.
- All vacant staff positions should be de-funded for savings estimated at over \$400 million.

There are six simple steps right there, saving nearly \$2 billion. That's on top of the general reforms I just outlined that could clearly save several billions of dollars more. That's on top of the LAO's recommendations presented today. That's on top of the Republican Caucus recommendations presented today.

I leave you with this perspective. Across the Colorado River sits the state of Arizona.

Arizona is in the middle of the desert – and yet there's no threat of a water shortage. They have among the highest per capita electricity usage in the nation, and yet there is no electricity shortage. Their population has grown three times faster than California's during the past decade, and yet there is ample housing at every income level. They spend much less for their schools per pupil, but they significantly outperform California in every measure of academic achievement. Their highways are rated among the best in the nation.

They spend \$1,800 per person. We spend \$3,000 per person.

And don't blame Proposition 13. They have the same one percent property tax cap and their local per capita expenditures are lower than ours.

You needn't even look across the state line. Here in California, under Gov. Pat Brown, we were providing a first-rate level of services. He spent \$250 per person his last year in office – that equates to about \$1,300 per person in year 2000 inflation-adjusted dollars.